

***City Of Oakland
Oakland, Iowa***

Independent Auditors' Reports

**Basic Financial Statements, Required Supplemental Information, Other
Supplemental Information and Schedule of Findings**

Year Ended June 30, 2004

Prepared By:

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A Professional Corporation
Certified Public Accountants
10842 John Galt Boulevard
Omaha, Nebraska 68137***

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CITY OF OAKLAND

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gayle Perkins	Mayor	December 30, 2005
Cindy Freemyer	Council Member	December 30, 2005
Pat Newberg	Council Member	December 30, 2005
Debbie Rollins	Council Member	December 30, 2007
Jonathan Showalter	Council Member	December 30, 2005
Tim White	Council Member	December 30, 2007
Kelly Groskurth	City Clerk	Indefinite
Richard Merkle	City Treasurer	Appointed yearly
Richard Henninger	City Attorney	Indefinite

Laurence A. Lanphier Jr.
Steven G. Vandenberg
Lorraine M. Kolasinski

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Members
American Institute
of Certified Public
Accountants

Nebraska Society of
Certified Public
Accountants

Independent Auditors' Report

To The Honorable Mayor
and Members of The City Council
City of Oakland, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Oakland's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland as of June 30, 2004, and the respective change in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 20 to the financial statements, during the year ended June 30, 2004, the City of Oakland adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our reports dated September 24, 2004, on our consideration of the City of Oakland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 25 through 26 are not required parts of the basis financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Oakland's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003, 2002 and 2001 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Omaha, Nebraska
September 24, 2004

LANPHIER, VANDENBERG & KOLASINSKI, PC

<p style="text-align: center;">CITY OF OAKLAND MANAGEMENT DISCUSSION AND ANALYSIS For the year ending June 30, 2004</p>

As management of the City of Oakland, we offer readers of the City of Oakland financial statements this narrative overview and analysis of the financial activities of the City of Oakland for the fiscal year ending June 30, 2004. This section should be read in conjunction with the financial statements and the accompanying notes that follow. It should also be noted that the information contained here will provide information on both the governmental operations and the business type activities of the City.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Oakland's basic financial statements. The City of Oakland's basic financial statements comprises of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes on the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The Statement of Activities and Net Assets reports information on all the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, service or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead of general receipts.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid through other funds.

Special Revenue

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

Capital Projects

The Chautauqua Park I & II Grant Funds are utilized to account for the resources used in the phases of construction of park facilities, which included reclaiming wetlands, construction of a sports complex made up of a soccer field, baseball diamond, softball diamond, concession stand, trails, parking and lighting.

The City reports the following major proprietary funds:

The Water Fund is utilized to finance and account for the acquisition, operation, and maintenance of the City's water system that is supported by user charges.

The Sewer Fund is utilized to finance and account for the acquisition, operation, and maintenance of the City's sewer system that is supported by user charges.

The Sanitation Fund is utilized to finance and account for the acquisition, operation, and maintenance of the City's sanitation service that is supported by user charges.

The City also reports the following additional non-major funds:

Special Revenue

The Local Option Tax Fund is used to account for the local option sales tax received.

The Volunteer Fire Department is used to account for the independent activities of the blended component unit

The Volunteer Ambulance Department Fund is used to account for the independent activities of the blended component unit.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation long-term debt.

Capital Projects

The Mealsite Fund is utilized to account for all resources used in the repair and maintenance of the interior and exterior of the Senior Center Mealsite.

The Signage Fund is utilized to account for all resources used in the construction of city entrance signs.

Statement of Activities & Net Assets**City of Oakland's Change in Net Assets**

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for Service	41,365	580,894	622,259
Operating Grants & Contributions	157,261	0	157,261
Capital Grants & Contributions	320,142	0	320,142
General Revenues			
Property Taxes	166,357	0	166,357
Tax increment Financing	146,147	0	146,147
Other Taxes	145,618	0	145,618
Other	88,745	55,280	144,025
Total Revenues	1,065,635	636,174	1,701,809
Expenses:			
Public Safety	93,077	0	93,077
Public Works	143,553	0	143,553
Culture & Recreation	167,362	0	167,362
General Government	106,769	0	106,769
Debt Service	87,848	60,000	147,848
Capital Projects	410,356	0	410,356
Water Utility	0	572,029	572,029
Sewer Utility	0	32,976	32,976
Garbage Utility	0	136,089	136,089
Total Expenses	1,008,965	801,094	1,810,059
Increase in net assets before transfers	56,670	(164,920)	(108,250)
Transfers	(15,255)	15,255	0
Increase in net assets	41,415	(149,665)	(108,250)
Net Assets - Beginning	819,402	364,901	1,184,303
Net Assets - Ending	860,817	215,236	1,076,053

Governmental Activities

Governmental activities increased the City of Oakland's net assets by \$41,415, thereby accounting for 5% of the total growth in the net assets of the City of Oakland.

Business-type Activities

Business-type activities decreased the City of Oakland's net assets by \$149,665, thereby accounting for 14% of total decrease in the net assets of the City of Oakland.

Total change in cash basis net assets for the City of Oakland was (\$108,250).

Financial Analysis of the Government's Funds.

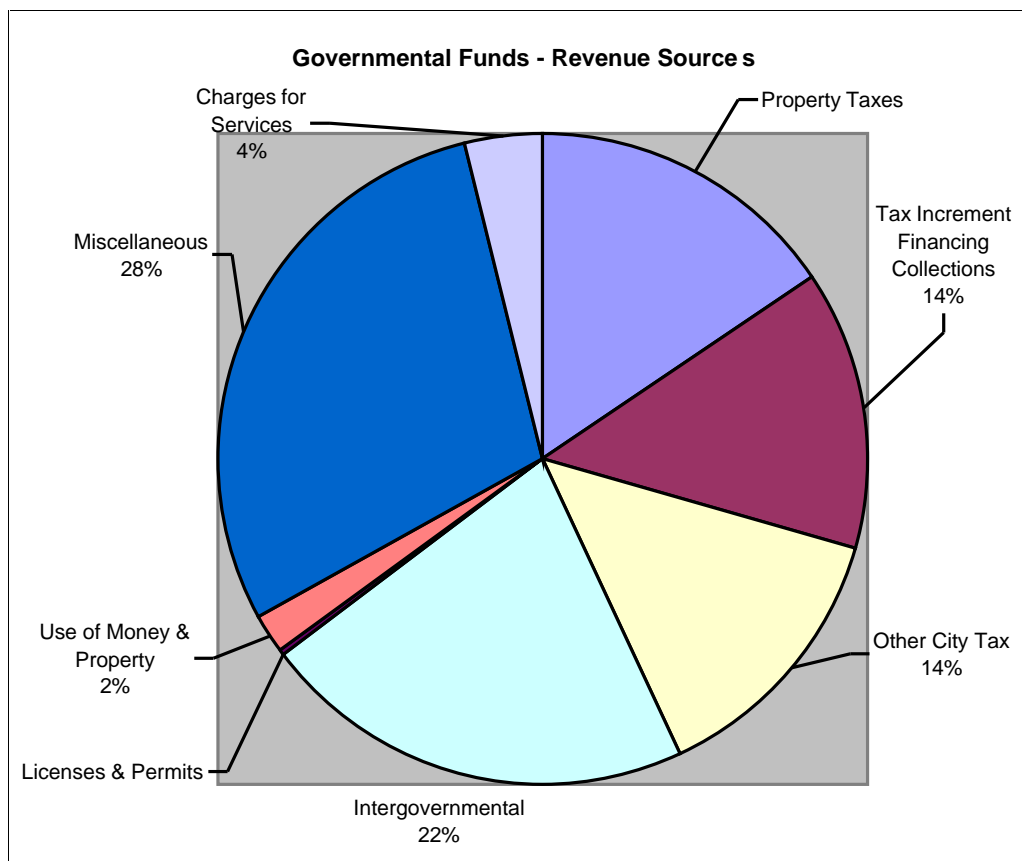
As noted earlier, the City of Oakland uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

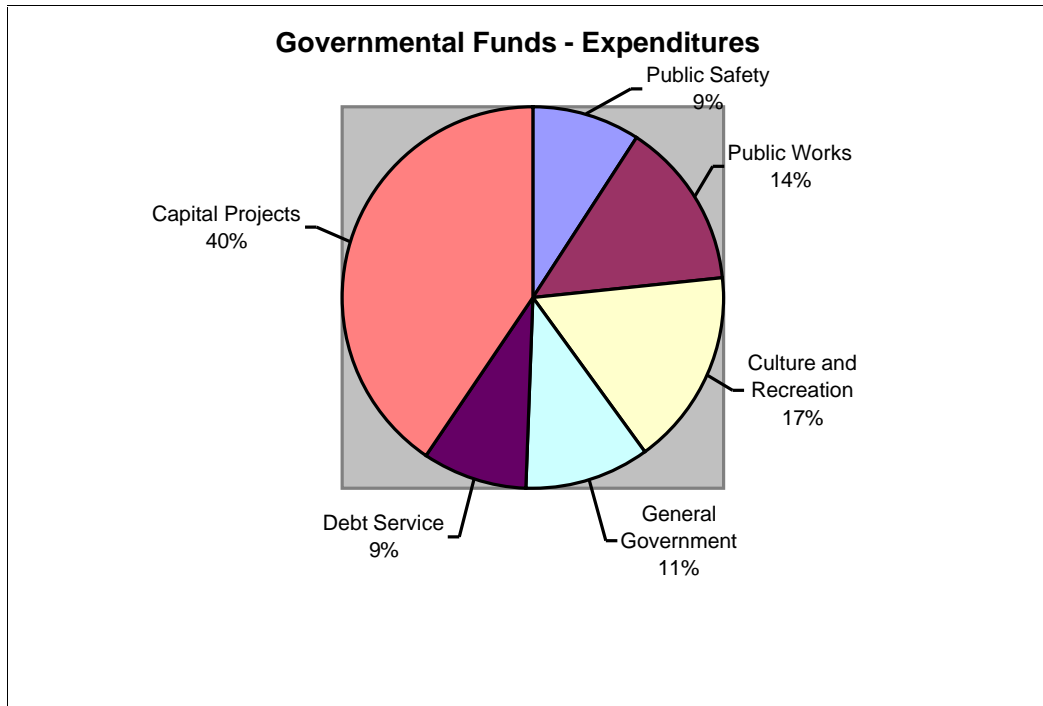
The focus of the City of Oakland's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Oakland's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Oakland's governmental funds reported combined ending fund balances of \$860,817 as of June 30, 2004. We cannot compare with last year since cash basis accounting was used. All major governmental funds except the Capital Project - Chautauqua Park II Grant had a positive fund balance at the end of the year. The deficit balance was a result of project costs incurred prior to the availability of funds. This deficit will be eliminated upon receipt of grants.

Revenues from the City's governmental funds totaled \$1,065,635. The revenues included \$166,357 for property taxes, \$146,147 from tax increment financing collections, \$147,628 from local option sales tax, \$1,905 from licenses and permits, \$21,051 from use of money and property, \$230,995 from state share revenues and state grants, \$41,365 from charges of services, and \$310,187 from miscellaneous. The following graph represents the makeup of the City's governmental revenues.



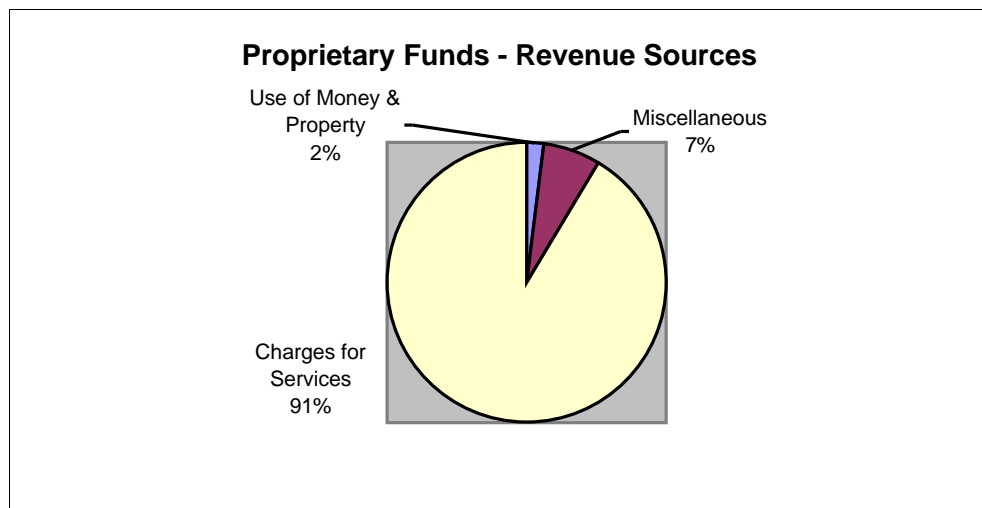
Total expenditures for the governmental funds were \$1,008,965. The six main activities that make up these expenditures are \$93,077 from public safety, \$143,553 from public works, \$167,362 from culture and recreation, \$106,769 from general government, \$87,848 from debt service, and \$410,356 from capital projects. The following graph is a breakout of the governmental expenditures for the City.



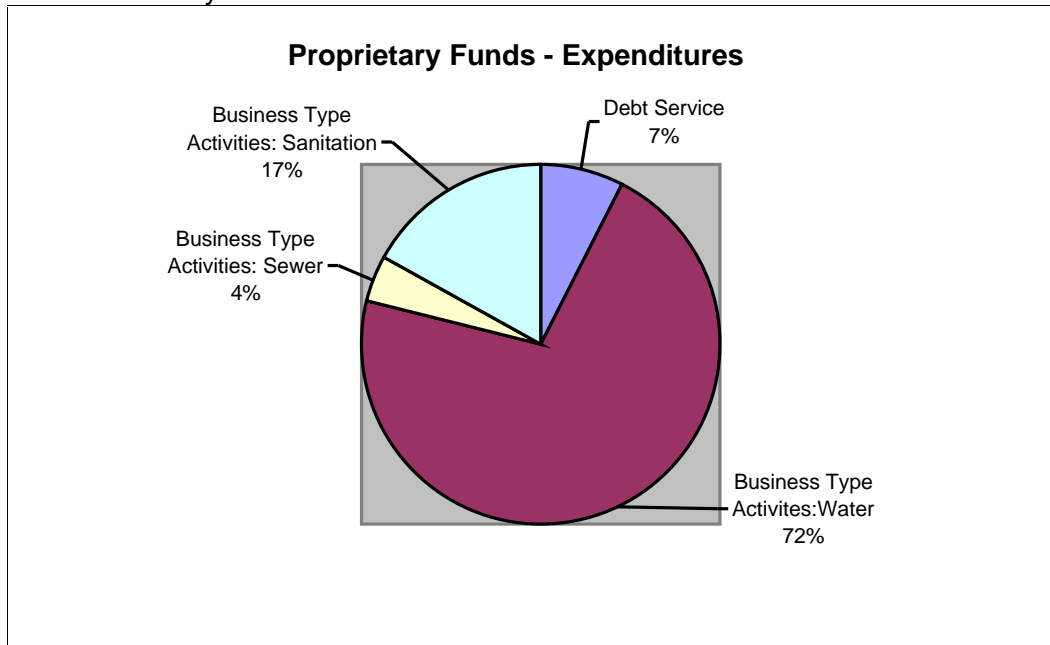
Proprietary Funds

The City of Oakland's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Revenues from the City's proprietary funds totaled \$636,174 with charges for services accounting for \$580,894 of that amount. Use of money and property activities, represented another \$13,216 of the total proprietary fund revenues. Miscellaneous activities represented \$42,064 of the total proprietary fund revenues. The following graph represents the makeup of the City's proprietary revenues.



Total expenditures for the proprietary funds were \$801,094. The four main activities that make up these expenditures are \$60,000 for debt service, \$572,029 for water utility, \$32,976 for sewer utility, and \$136,089 for sanitation utility. The following graph is a breakout of the proprietary expenditures for the City.



The restricted net assets of the water, sewer, and sanitation utilities amounted to \$44,656 and the unrestricted net assets amounted to \$170,580. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Oakland's business-type activities.

Capital Asset and Debt Administration

Capital Assets

Major capital assets events during the current fiscal year included the following:

Chautauqua Park:

The Chautauqua Park I & II Grant Funds are utilized to account for the resources used in the phases of construction of park facilities, which included reclaiming wetlands, construction of a sports complex made up of a soccer field, baseball diamond, softball diamond, concession stand, trails, parking and lighting. The City has been awarded two grants for the Phase I & II renovation of Chautauqua Park. One grant was awarded by the Iowa Department of Transportation for \$75,000. The other was a 50% matching grant awarded by Iowa West Foundation with a maximum grant amount of \$350,000. The project consists of reclaiming wetlands, construction of a sports complex made up of a soccer field, baseball diamond, softball diamond, concession stand, trails, parking and lighting. The original total cost of this project is approximately \$715,000. The current costs of the project at June 30, 2004 are approximately \$490,000. The City has received \$70,300 of the Iowa Department of Transportation grant and \$199,404. of the Iowa West Foundation grant during the fiscal year. This grant has been extended December 15, 2004. The City has also received \$44,927 in donations from private parties.

Oakland Senior Center Renovation - Mealsite

The Mealsite Fund is utilized to account for all resources used in the repair and maintenance of the interior and exterior of the Senior Center Mealsite. The City was awarded a 50% matching grant from Iowa West Foundation for the renovation of the Oakland Senior Center – Mealsite. The estimated total cost of the project is \$25,000. The project includes a new roof as well as interior and exterior renovations. The total cost of the project was \$21,656. The City received \$10,411 for this grant and closed the grant in August of 2003.

Lion's Park Walkway

The Lion's Park Walkway Fund is utilized to account for all resources used in the construction of a walkway at Lion's Park. The City was awarded a matching grant from Iowa West Foundation for the establishment of a walkway. The total cost of the project was \$10,450. The City received \$4,714 for this grant and closed the grant in November of 2003.

Entrance Signage

The Signage Fund is utilized to account for all resources used in the construction of city entrance signs. The City has been awarded a matching grant from Iowa West Foundation for an entrance sign project. The project includes the landscaping, lighting, and water tower logo. The City will provide \$8,000 for the project. The estimated total cost of the project is \$16,900. The current costs of the project at June 30, 2004 are approximately \$383.

Long-term debt

At the end of the current fiscal year, the City of Oakland had total bonded debt outstanding of \$761,539 as follows:

City of Oakland 's Outstanding Debt				
General Obligation, Urban Renewal (TIF), and Revenue Bonds and Notes				
	Governmental Activities	Urban Renewal (TIF)	Business-type Activities	Total
General Obligation Bonds	81,289	0	0	81,289
Urban Renewal (TIF)	0	315,000	0	315,000
Revenue Bonds	0	0	365,250	365,250
Total	81,289	315,000	365,250	761,539

Economic Factors and Next Year's Budgets and Rates

The passing of the "Re-inventing Iowa" bill from State of Iowa, cut state funding to cities including state consolidated payments and bank franchise tax. The bill was passed after next year's budget was certified, therefore and amended budget will show the decreased receipts.

Request for Information

This financial report is designed to provide a general overview of the City of Oakland's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information please feel free to contact the City of Oakland, City Clerk, 101 North Main St., Oakland, IA 51560.

CITY OF OAKLAND
STATEMENT OF ACTIVITIES AND NET ASSETS
CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Exhibit A

FUNCTIONS/PROGRAMS	Disbursements	Program Receipts		Net (Disbursements) Receipts and Change in Cash Basis Net Assets		Total		
		Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities		Business Type Activities	
GOVERNMENTAL ACTIVITIES								
Public safety	\$	93,077	40,246	7,322	0	(45,509)	0	(45,509)
Public works		143,553	0	123,848	0	(19,705)	0	(19,705)
Culture and recreation		167,362	1,119	26,091	0	(140,152)	0	(140,152)
Community and economic development		0	0	0	0	0	0	0
General government		106,769	0	0	0	(106,769)	0	(106,769)
Debt service		87,848	0	0	0	(87,848)	(60,000)	(147,848)
Capital projects		410,356	0	0	320,142	(90,214)	0	(90,214)
TOTAL GOVERNMENTAL ACTIVITIES	\$	1,008,965	41,365	157,261	320,142	(490,197)	(60,000)	(550,197)
BUSINESS TYPE ACTIVITIES								
Water	\$	572,029	434,573	0	0	0	(137,456)	(137,456)
Sewer		32,976	36,866	0	0	0	3,890	3,890
Sanitation		136,089	109,455	0	0	0	(26,634)	(26,634)
TOTAL BUSINESS TYPE ACTIVITIES	\$	741,094	580,894	0	0	0	(160,200)	(160,200)
TOTAL	\$	1,750,059	622,259	157,261	320,142	(490,197)	(220,200)	(710,397)
GENERAL RECEIPTS								
Property tax levied for								
General purposes	\$					166,357	0	166,357
Tax incremental financing						146,147	0	146,147
Debt service						0	0	0
Local option sales tax						145,618	0	145,618
Grants and contributions not restricted						0	0	0
Unrestricted interest on investments						21,051	13,216	34,267
Loan proceeds						0	0	0
Miscellaneous						67,694	42,064	109,758
Transfers						(15,255)	15,255	0
TOTAL GENERAL RECEIPTS AND TRANSFERS	\$					531,612	70,535	602,147
CHANGE IN CASH BASIS NET ASSETS	\$					41,415	(149,665)	(108,250)
CASH BASIS NET ASSETS BEGINNING OF YEAR	\$					819,402	364,901	1,184,303
CASH BASIS NET ASSETS END OF YEAR	\$					860,817	215,236	1,076,053
CASH BASIS NET ASSETS								
RESTRICTED								
Streets	\$					250,118	0	250,118
Urban renewal purposes						167,750	0	167,750
Debt service						0	0	0
Volunteer fire department						7,611	0	7,611
Volunteer ambulance department						61,460	0	61,460
Library						255,357	0	255,357
Reserves						0	44,656	44,656
UNRESTRICTED						118,521	170,580	289,101
TOTAL CASH BASIS NET ASSETS	\$					860,817	215,236	1,076,053

See Notes to Financial Statements

CITY OF OAKLAND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS AND DISCREETLY PRESENTED COMPONENT UNIT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Exhibit B

		SPECIAL REVENUE		CAPITAL PROJECTS			TOTAL PRIMARY GOVERNMENT (MEMORANDUM ONLY)	COMPONENT UNIT LIBRARY	TOTAL REPORTING ENTITY (MEMORANDUM ONLY)
	GENERAL	ROAD USE FUND	URBAN RENEWAL TAX INCREMENT	CHAUTAUQUA PARK I GRANT	CHAUTAUQUA PARK II GRANT	NONMAJOR FUNDS			
RECEIPTS									
Property tax	\$ 166,357	0	0	0	0	0	166,357	0	166,357
Tax increment financing collections	0	0	146,147	0	0	0	146,147	0	146,147
Other city tax	2,010	0	0	0	0	145,618	147,628	0	147,628
Licenses and permits	1,905	0	0	0	0	0	1,905	0	1,905
Use of money and property	13,803	0	0	0	0	1,296	15,099	5,952	21,051
Intergovernmental	17,494	123,848	0	70,300	0	2,608	214,250	16,745	230,995
Charges for services	14,946	0	0	0	0	25,300	40,246	1,119	41,365
Miscellaneous	22,750	118	0	0	239,331	36,228	298,427	11,760	310,187
TOTAL RECEIPTS	\$ 239,265	123,966	146,147	70,300	239,331	211,050	1,030,059	35,576	1,065,635
DISBURSEMENTS									
Operating									
Public safety	\$ 58,956	0	0	0	0	34,121	93,077	0	93,077
Public works	0	143,553	0	0	0	0	143,553	0	143,553
Culture and recreation	118,119	0	0	0	0	0	118,119	49,243	167,362
Community and economic development	0	0	0	0	0	0	0	0	0
General government	106,769	0	0	0	0	0	106,769	0	106,769
Debt service	0	0	59,028	0	0	28,820	87,848	0	87,848
Capital projects	0	0	0	106,390	290,841	13,125	410,356	0	410,356
TOTAL DISBURSEMENTS	\$ 283,844	143,553	59,028	106,390	290,841	76,066	959,722	49,243	1,008,965
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	\$ (44,579)	(19,587)	87,119	(36,090)	(51,510)	134,984	70,337	(13,667)	56,670
OTHER FINANCING SOURCES (USES)									
Loan proceeds	\$ 0	0	0	0	0	0	0	0	0
Operating transfers in	82,782	72,809	0	71,052	76,715	44,185	347,543	0	347,543
Operating transfers out	(203,086)	0	0	0	0	(159,712)	(362,798)	0	(362,798)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (120,304)	72,809	0	71,052	76,715	(115,527)	(15,255)	0	(15,255)
NET CHANGE IN CASH BALANCES	\$ (164,883)	53,222	87,119	34,962	25,205	19,457	55,082	(13,667)	41,415
CASH BALANCE BEGINNING OF YEAR	\$ 310,779	196,896	80,631	(34,962)	(52,297)	49,331	550,378	269,024	819,402
CASH BALANCE END OF YEAR	\$ 145,896	250,118	167,750	0	(27,092)	68,788	605,460	255,357	860,817
CASH BASIS FUND BALANCES									
RESERVED									
Debt service	\$ 0	0	0	0	0	0	0	0	0
UNRESERVED									
General fund	\$ 145,896	0	0	0	0	0	145,896	0	145,896
Special revenue funds	0	250,118	167,750	0	0	69,071	486,939	255,357	742,296
Capital projects fund	0	0	0	0	(27,092)	(283)	(27,375)	0	(27,375)
TOTAL CASH BASIS FUND BALANCES	\$ 145,896	250,118	167,750	0	(27,092)	68,788	605,460	255,357	860,817

See Notes to Financial Statements

CITY OF OAKLAND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Exhibit C

ENTERPRISE FUNDS				
	WATER	SEWER	SANITATION	TOTAL
OPERATING RECEIPTS				
Use of money and property	\$ 13,216	0	0	13,216
Charges for services	434,573	36,866	109,455	580,894
Miscellaneous	36,371	864	4,829	42,064
TOTAL OPERATING RECEIPTS	\$ 484,160	37,730	114,284	636,174
OPERATING DISBURSEMENTS				
Business type activities	\$ 307,382	32,976	136,089	476,447
Capital projects	264,647	0	0	264,647
TOTAL OPERATING DISBURSEMENTS	\$ 572,029	32,976	136,089	741,094
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	\$ (87,869)	4,754	(21,805)	(104,920)
NON OPERATING RECEIPTS (DISBURSEMENTS)				
Debt service	\$ (60,000)	0	0	(60,000)
TOTAL NON OPERATING RECEIPTS	\$ (60,000)	0	0	(60,000)
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	\$ (147,869)	4,754	(21,805)	(164,920)
OPERATING TRANSFERS IN (OUT)	\$ 0	0	15,255	15,255
NET CHANGE IN CASH BALANCES	\$ (147,869)	4,754	(6,550)	(149,665)
CASH BALANCE BEGINNING OF YEAR	\$ 358,009	342	6,550	364,901
CASH BALANCE END OF YEAR	\$ 210,140	5,096	0	215,236
CASH BASIS FUND BALANCES				
Reserved	\$ 44,656	0	0	44,656
Unreserved	165,484	5,096	0	170,580
TOTAL CASH BASIS FUND BALANCES	\$ 210,140	5,096	0	215,236

See Notes to Financial Statements

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 Summary Of Significant Accounting Policies

The City of Oakland is a political subdivision of the State of Iowa located in Pottawattamie County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and garbage utilities for its citizens.

Reporting Entity

For financial reporting purposes, City Of Oakland has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing board, and (1) the ability of the City to impose its will on that organization, or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Oakland (the primary government) and its component units. The component units discussed below have been included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units

The City of Oakland Volunteer Fire and Ambulance Departments, entities legally separate from the City, are governed by a Board elected within the departments. For financial statement purposes, the Volunteer Fire and Ambulance Departments are reported as if they were part of the City's operations because their purpose is to supply emergency fire and rescue services to the citizens of and surrounding areas and the City is accountable for certain financial responsibilities of the Departments.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Discretely Presented Component Unit

The Eckels Memorial Library is presented in a separate column to emphasize that it is legally separate from the City but is financially accountable to the City. The library is governed by a board approved by the City Council. The library's operating budget is also subject to approval by the City Council. The library was recorded as a blended component unit in years prior to 1999.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following associations: Southwest Iowa Clerks Association, Iowa League of Cities, Iowa Municipal Financial Officers Association, Iowa Rural Water Association, Iowa Associations of Municipal Utilities, MAPA, Southwest Iowa Planning Council, Western Iowa Development Association, International Municipal Clerks Institute, Chamber of Commerce.

Basis of Presentation

Government-wide Financial Statements

The Statement of Activities and Net Assets reports information on all the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, service or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead of general receipts.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid through other funds.

Special Revenue

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

Capital Projects

The Chautauqua Park I & II Grant Funds are utilized to account for the resources used in the phases of construction of park facilities, which included reclaiming wetlands, construction of a sports complex made up of a soccer field, baseball diamond, softball diamond, concession stand, trails, parking and lighting.

The City reports the following major proprietary funds:

The Water Fund is utilized to finance and account for the acquisition, operation, and maintenance of the City's water system that is supported by user charges.

The Sewer Fund is utilized to finance and account for the acquisition, operation, and maintenance of the City's sewer system that is supported by user charges.

The Sanitation Fund is utilized to finance and account for the acquisition, operation, and maintenance of the City's sanitation service that is supported by user charges.

The City also reports the following additional non-major funds:

Special Revenue

The Local Option Tax Fund is used to account for the local option sales tax received.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

The Volunteer Fire Department is used to account for the independent activities of the blended component unit

The Volunteer Ambulance Department Fund is used to account for the independent activities of the blended component unit.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation long-term debt.

Capital Projects

The Mealsite Fund is utilized to account for all resources used in the repair and maintenance of the interior and exterior of the Senior Center Mealsite.

The Signage Fund is utilized to account for all resources used in the construction of city entrance signs.

Measurement Focus and Basis of Accounting

The City of Oakland maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the culture and recreation, and debt service functions.

Total (Memorandum Only)

The total columns on the statement of cash receipts, disbursements and changes in cash balances are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with generally accepted accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2 Deposits and Investments

The City's deposits at June 30, 2004, were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all category 1 which means that the investments are insured or registered or the securities are held by the City or its agent in the City's name.

The City invested solely in certificates of deposit during the current fiscal year. The City had twelve certificates of deposit that are held at two different institutions in both the City's name and its component units for a total of \$276,595 at June 30, 2004.

NOTE 3 Bonds and Notes Payable

Annual debt service requirements to maturity for the City's general obligation notes, urban renewal tax increment financing revenue notes, and revenue bonds are as follows:

Year Ending June 30,	General Obligation Notes		Urban Renewal Tax Increment Financing (TIF) Revenue Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	18,474	2,473	40,000	16,468	5,250	18,263	63,724	37,204
2006	14,346	3,865	45,000	14,472	25,000	18,000	84,346	36,337
2007	15,231	2,980	45,000	12,193	25,000	16,750	85,231	31,923
2008	16,170	2,041	45,000	9,872	25,000	15,500	86,170	27,413
2009	17,068	1,143	55,000	7,530	30,000	14,250	102,068	22,923
2010	0	0	55,000	4,633	30,000	12,750	85,000	17,383
2011	0	0	15,000	1,688	35,000	11,250	50,000	12,938
2012	0	0	15,000	848	35,000	9,500	50,000	10,348
2013	0	0	0	0	35,000	7,750	35,000	7,750
2014	0	0	0	0	40,000	6,000	40,000	6,000
2015	0	0	0	0	40,000	4,000	40,000	4,000
2016	0	0	0	0	40,000	2,000	40,000	2,000
Total	\$ 81,289	12,502	315,000	67,704	365,250	136,013	761,539	216,219

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

The Code of Iowa requires that principal and interest on general obligation notes be paid from the Debt Service Fund. However, during the year, \$7,753 of note principal was paid from the Enterprise Fund, water operations.

The urban renewal tax increment financing revenue notes were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The notes are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue notes shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The notes are not a general obligation of the City, however the debt is subject to the constitutional debt limitation of the City.

The resolutions providing for the issuance of the water revenue bonds include the following provisions:

- a. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond and holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to a water bond sinking account for the purpose of making the bond principal and interest payments when due.
- c. Additional monthly transfers to a water reserve account shall be made until a minimum balance of \$41,640 has been accumulated. This account is restricted for the purpose of paying for any additional improvements, extensions, or repairs to the system.

NOTE 4 Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$10,036., \$10,566., and \$10,604, respectively, equal to the required contributions for the year. Covered payroll was \$174,547 and the total payroll was \$215,575. for the current fiscal year.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 5 Compensated Absences

City employees accumulate a limited amount of earned but unused vacation for subsequent use or payment upon termination, retirement or death and sick leave hours for subsequent use during employment. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2004, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 10,184.
Sick leave	<u>3,081.</u>
	\$ <u>13,265.</u>

This liability has been computed based on rates of pay as of June 30, 2004.

NOTE 6 Property Taxes

Property taxes attach as an enforceable lien on property as of August 1. Taxes are levied on July 1, and payable in two installments on October 1 and April 1. The County bills and collects property taxes and remits them to the City monthly.

NOTE 7 Related Party Transactions

The City had no business transactions between the City and City officials during the year ended June 30, 2004.

NOTE 8 Risk Management

The City of Oakland is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claim expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2004 were \$39,203.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$50,000 each accident, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claim exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all liability claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

The City also carries workmens' compensation insurance purchased from EMC Insurance Companies. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 Library Construction and Contingency

On April 7, 1997, the City entered into a gift agreement for an addition to the City Library. The donor paid the construction costs up to \$100,000. The agreement contains a covenant requiring the City to allow a genealogy group to occupy and use a portion of the building for fifty years with a right to renewal for an additional fifty years. Breach of the covenant would require the City to pay over \$100,000 to an educational trust.

NOTE 10 Urban Renewal

On May 11, 1998, the City established the Oakland Urban Renewal Area. The objective of the plan is to encourage residential development in this urban renewal area. The urban renewal includes the Water Expansion Project completed as of June 30, 2001 and the Parker/Palmer Street Project completed as of June 30, 2000. Urban Renewal Tax Increment Financing Revenue Notes were issued to finance the Street Project.

On January 10, 2000, the City established the Oakland Urban Renewal Area South. The objective of the plan is to encourage commercial development in this urban renewal area. The project includes the construction of a distribution facility of approximately 18,000 square feet to be used as a retail discount store. Once these improvements were completed the City agreed to make an Economic Development Grant to the Developer, Oakland Industrial Foundation, Inc. The Economic Development Urban Renewal Tax Increment Financing Revenue Notes were issued as a result of this project.

On May 5, 2001, the City established the Oakland Manor Urban Renewal Area. The project involves providing direct financial assistance to a developer to help finance the construction of an assisted living health care facility. The City intends to provide assistance in the form of property tax rebates. Under the proposal, 100% of the incremental property tax generated by the project will be rebated to the developer for a maximum of 5 years, from the time debt is first certified to the County. These rebates will not be general obligation of the City, but will be payable solely from incremental property taxes generated by the project.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 11

Grants

Chautauqua Park

The City has been awarded two grants for the Phase 1 & 2 renovation of Chautauqua Park. One grant was awarded by the Iowa Department of Transportation for \$75,000. The other was a 50% matching grant awarded by Iowa West Foundation with a maximum grant amount of \$350,000. The project consists of reclaiming wetlands, construction of a sports complex made up of a soccer field, baseball diamond, softball diamond, concession stand, trails, parking and lighting. The original total cost of this project is approximately \$715,000. The current costs of the project at June 30, 2004 are approximately \$490,000. The City has received \$70,300 of the Iowa Department of Transportation grant and \$199,404 of the Iowa West Foundation grant during the fiscal year. This grant has been extended December 15, 2004. The City has also received \$44,927 in donations from private parties.

Oakland Senior Center Renovation - Mealsite

The City was awarded a 50% matching grant from Iowa West Foundation for the renovation of the Oakland Senior Center – Mealsite. The estimated total cost of the project is \$25,000. The project includes a new roof as well as interior and exterior renovations. The total cost of the project was \$21,656. The City received \$10,411 for this grant and closed the grant in August of 2003.

Lion's Park Walkway

The City was awarded a matching grant from Iowa West Foundation for the establishment of a walkway. The total cost of the project was \$10,450. The City received \$4,714 for this grant and closed the grant in November of 2003.

Entrance Signage

The City has been awarded a matching grant from Iowa West Foundation for and entrance sign project. The project includes the landscaping, lighting, and water tower logo. The City will provide \$8,000 for the project. The estimated total cost of the project is \$16,900. The current costs of the project at June 30, 2004 are approximately \$383.

NOTE 12

Garbage Collection Service Agreement

The City signed an Agreement on June 28, 2002 with M K Mills Tree Service, Inc. for the collection of garbage, rubbish, and recyclables. The contract runs from July 1, 2002 to June 30, 2007. The contracted amount per residential unit for up to six 32-gallon containers per week for the first two years is \$4.75 and \$5.00 for the remaining three years. The contracted amount for commercial and industrial and institutional premises with dumpsters is \$2.50 per yard per week for five years and \$.75 per unit per month for recyclables for five years.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

- NOTE 13 Household Hazardous Waste Regional Collection Center Service Agreement
The City entered in to an agreement with the City of Council Bluffs to provide a mobile collection unit to serve as a collection center and accompanying public education within Oakland city limits. This agreement is effective on July 1, 2003 with an option to renew for additional periods of one year. The cost of this program is \$2,231 for the fiscal year 2004. The City did not renew this agreement at July 1, 2004.
- NOTE 14 Atlantic Bottling Agreement
On May 26th, 2004, the City entered in to an agreement with the Atlantic Bottling Company. They agreed that the Atlantic Bottling Company will be the sole provider of soft drinks, new age products, juices and water for the Little League, Soccer, Swimming Pool, and all City owned locations through May of 2011. In return, Atlantic Bottling Company will pay for one of the scoreboards valued at \$3,358. Either party may terminate this agreement; however, in that event, the City agrees to pay back Atlantic Bottling Company for the scoreboard for the valued amount.
- NOTE 15 Deficit Fund Balance
The Capital Projects Fund had a deficit balance of \$27,375 at June 30, 2004. The deficit balance was a result of projects costs incurred prior to availability of funds. The deficit will be eliminated upon completion of projects and the receipt of the grants discussed in Note 11.
- NOTE 16 Operating Transfers
The following operating transfers were made to eliminate deficit balances: \$28,820 from the General Fund to Debt Service; \$8,000 from the Sanitation Reserve Fund to the Sanitation Fund, \$15,254 from the General Fund to Sanitation Fund, \$71,051 from General Fund to Capital Project - Chautauqua Park Phase I Fund, \$76,715 from General Fund to Capital Project – Chautauqua Park Phase II Fund, \$11,245 from General Fund to Capital Project – Mealsite Fund, \$220,365 from Water OSI Reserve Fund to Water Capital Project Fund, \$44,282 from Water Operations Fund to Water Capital Project Fund.
- NOTE 17 Accounting Change
Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Government: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statement reports the City’s governmental and business type activities.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 18 Subsequent Events

Law Enforcement Service Contract

The City renewed its Law Enforcement Services Contract with Pottawattamie County for the services of the Pottawattamie County Sheriff's Department as of July 1, 2004. The contract is payable in four installments of \$6,545 on July 1, 2004, October 1, 2004, January 1, 2005, and April 1, 2005.

Administrative Services Agreement

On July 1, 2004, the City entered in to an agreement with Select Benefit Administrators, Inc. for the purpose of establishing terms for a third party administrator of the City of Oakland's self funding split-funded benefit plan. The annual administration fee is \$300 and a monthly administrative fee per employee is \$6.50. The fees are subject to change by Select Benefit Administrators on July 1, 2005, and each year thereafter on the same date.

Street project

On July 12, 2004, the City accepted a bid from Western Engineering Co, Inc. in the amount of \$38,697 for resurfacing of street projects.

Purchase of Ambulance

The Oakland Volunteer Fire and Rescue Department purchased a new 2004 Ford Lifeline Ambulance with a cost of approximately \$108,000. In connection with this purchase a new loan was secured on July 25, 2004 with Oakland State Bank in the amount of \$67,000 at a variable rate. The rate at the beginning of the loan was 5.75%. The payments are 120 monthly beginning on August 25, 2004 maturing on July 25, 2014. This is not general obligation debt of the City.

CITY OF OAKLAND
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN BALANCES – BUDGET AND ACTUAL – CASH BASIS
ALL GOVERNMENTAL AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2004

	GOVERNMENTAL FUNDS ACTUAL	PROPRIETARY FUNDS ACTUAL	TOTAL	BUDGETED AMOUNTS		FINAL TO TOTAL VARIANCE
				ORIGINAL	FINAL	
RECEIPTS						
Property tax	\$ 166,357	0	166,357	159,256	159,256	7,101
Tax increment financing collections	146,147	0	146,147	133,278	133,278	12,869
Other city tax	147,628	0	147,628	157,202	157,202	(9,574)
Licenses and permits	1,905	0	1,905	1,400	1,400	505
Use of money and property	21,051	13,216	34,267	9,795	9,795	24,472
Intergovernmental	230,995	0	230,995	243,621	233,621	(2,626)
Charges for services	41,365	580,894	622,259	633,200	633,200	(10,941)
Miscellaneous	310,187	42,064	352,251	25,850	25,850	326,401
TOTAL RECEIPTS	\$ 1,065,635	636,174	1,701,809	1,363,602	1,353,602	348,207
DISBURSEMENTS						
Public safety	\$ 93,077	0	93,077	106,752	122,752	29,675
Public works	143,553	0	143,553	102,939	162,939	19,386
Culture and recreation	167,362	0	167,362	159,797	159,797	(7,565)
Community and economic development	0	0	0	5,000	79,000	79,000
General government	106,769	0	106,769	135,678	135,678	28,909
Debt service	87,848	60,000	147,848	102,511	28,511	(119,337)
Capital projects	410,356	0	410,356	60,000	483,583	73,227
Business type activities	0	741,094	741,094	542,467	806,831	65,737
TOTAL DISBURSEMENTS	\$ 1,008,965	801,094	1,810,059	1,215,144	1,979,091	169,032
EXCESS OF RECEIPTS OVER DISBURSEMENTS	\$ 56,670	(164,920)	(108,250)	148,458	(625,489)	(517,239)
OTHER FINANCING SOURCES, NET	\$ (15,255)	15,255	0	0	0	0
EXCESS OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	\$ 41,415	(149,665)	(108,250)	148,458	(625,489)	(517,239)
BALANCE BEGINNING OF YEAR	\$ 819,402	364,901	1,184,303	1,326,509	1,326,509	142,206
BALANCE END OF YEAR	\$ 860,817	215,236	1,076,053	1,474,967	701,020	(375,033)

See Accompanying Independent Auditors' Report

CITY OF OAKLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING
JUNE 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$763,947. The budget amendment is reflected in the final budget amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the culture and recreation, and debt service functions.

CITY OF OAKLAND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Schedule 1

	SPECIAL REVENUE						
	LOCAL OPTION TAX	VOLUNTEER FIRE DEPT	VOLUNTEER AMBULANCE DEPT	DEBT SERVICE	CAPITAL PROJECTS		TOTAL
					MEALSITE	SIGNAGE	
RECEIPTS							
Property tax	\$ 0	0	0	0	0	0	0
Other city tax	145,618	0	0	0	0	0	145,618
Use of money and property	0	81	1,215	0	0	0	1,296
Intergovernmental	0	2,488	120	0	0	0	2,608
Charges for services	0	10,185	15,115	0	0	0	25,300
Miscellaneous	0	23,786	1,931	0	10,411	100	36,228
TOTAL RECEIPTS	\$ 145,618	36,540	18,381	0	10,411	100	211,050
DISBURSEMENTS							
Public safety	\$ 0	24,324	9,797	0	0	0	34,121
Public works	0	0	0	0	0	0	0
Culture and recreation	0	0	0	0	0	0	0
General government	0	0	0	0	0	0	0
Debt service	0	0	0	28,820	0	0	28,820
Capital projects	0	0	0	0	12,742	383	13,125
TOTAL DISBURSEMENTS	\$ 0	24,324	9,797	28,820	12,742	383	76,066
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	\$ 145,618	12,216	8,584	(28,820)	(2,331)	(283)	134,984
OPERATING TRANSFERS IN (OUT)	\$ (145,618)	(14,094)	4,120	28,820	11,245	0	(115,527)
NET CHANGE IN CASH BALANCES	\$ 0	(1,878)	12,704	0	8,914	(283)	19,457
CASH BALANCE BEGINNING OF YEAR	\$ 0	9,489	48,756	0	(8,914)	0	49,331
CASH BALANCE END OF YEAR	\$ 0	7,611	61,460	0	0	(283)	68,788
CASH BASIS FUND BALANCES							
RESERVED							
Debt service	\$ 0	0	0	0	0	0	0
UNRESERVED							
Special revenue funds	\$ 0	7,611	61,460	0	0	0	69,071
Capital projects fund	0	0	0	0	0	(283)	(283)
TOTAL CASH BASIS FUND BALANCES	\$ 0	7,611	61,460	0	0	(283)	68,788

See Accompanying Independent Auditors' Report

CITY OF OAKLAND
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2004

Schedule 2

OBLIGATION	WATER REVENUE BONDS	TAX INCREMENT FINANCING NOTE STREET PROJECT	GENERAL OBLIGATION CAPITAL LEASE EQUIPMENT PURCHASE	INSTALLMENT NOTE FIRE TRUCK PURCHASE	TAX INCREMENT FINANCING NOTE ECONOMIC DEVELOPMENT
DATE OF ISSUANCE	November 17, 1976	October 1, 1999	October 11, 1999	January 3, 2000	November 1, 2000
INTEREST RATES	5.00%	4.70%	6.58%	6.00%	5.10%-5.65%
ORIGINAL AMOUNT	\$ <u>700,000</u>	\$ <u>325,000</u>	\$ <u>34,900</u>	\$ <u>134,000</u>	\$ <u>120,000</u>
BALANCE, BEG OF YEAR	\$ 405,000	\$ 245,000	\$ 10,452	\$ 100,877	\$ 110,000
ISSUED DURING THE YEAR	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
REDEEMED/PAID DURING YEAR	\$ <u>39,750</u>	\$ <u>30,000</u>	\$ <u>7,753</u>	\$ <u>22,287</u>	\$ <u>10,000</u>
BALANCE, END OF YEAR	\$ <u>365,250</u>	\$ <u>215,000</u>	\$ <u>2,699</u>	\$ <u>78,590</u>	\$ <u>100,000</u>
Interest Paid	\$ <u>20,250</u>	\$ <u>12,447</u>	\$ <u>457</u>	\$ <u>6,533</u>	\$ <u>5,980</u>
Principal Due and Unpaid	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Interest Due and Unpaid	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

See Accompanying Independent Auditors' Report

CITY OF OAKLAND
BOND AND NOTE MATURITIES
JUNE 30, 2004

Schedule 3

GENERAL OBLIGATION BONDS AND NOTES					
YEAR ENDING JUNE 30,	WATER EQUIPMENT PURCHASE		FIRE TRUCK NOTE		TOTAL
	Issued Oct 11, 1999		Issued Jan 3, 2000		
	INTEREST RATES	AMOUNT	INTEREST RATES	AMOUNT	
2005	6.58%	2,699	6.00%	15,775	18,474
2006			6.00%	14,346	14,346
2007			6.00%	15,231	15,231
2008			6.00%	16,170	16,170
2009			6.00%	17,068	17,068
TOTAL		\$ 2,699		\$ 78,590	\$ 81,289

URBAN RENEWAL TAX INCREMENT FINANCING (TIF) NOTES						REVENUE BONDS		
YEAR ENDING JUNE 30,	STREET PROJECT		ECONOMIC DEVELOPMENT		TOTAL	WATER		
	Issued Oct 1, 1999		Issued Nov 1, 2000			Issued Nov 17, 1976		
	INTEREST		INTEREST			INTEREST		
	RATES	AMOUNT	RATES	AMOUNT		RATES	AMOUNT	TOTAL
2005	4.90%	30,000	5.25%	10,000	40,000	5.00%	5,250	5,250
2006	5.00%	35,000	5.30%	10,000	45,000	5.00%	25,000	25,000
2007	5.10%	35,000	5.35%	10,000	45,000	5.00%	25,000	25,000
2008	5.15%	35,000	5.40%	10,000	45,000	5.00%	25,000	25,000
2009	5.20%	40,000	5.45%	15,000	55,000	5.00%	30,000	30,000
2010	5.30%	40,000	5.50%	15,000	55,000	5.00%	30,000	30,000
2011			5.60%	15,000	15,000	5.00%	35,000	35,000
2012			5.65%	15,000	15,000	5.00%	35,000	35,000
2013						5.00%	35,000	35,000
2014						5.00%	40,000	40,000
2015						5.00%	40,000	40,000
2016						5.00%	40,000	40,000
Total		\$ 215,000		\$ 100,000	\$ 315,000		\$ 365,250	\$ \$365,250

See Accompanying Independent Auditors' Report

CITY OF OAKLAND
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TWO YEARS

Schedule 4

	2004	2003
RECEIPTS		
Property tax	\$ 166,357	163,958
Tax increment financing collections	146,147	132,078
Other city tax	147,628	138,291
Licenses and permits	1,905	2,129
Use of money and property	21,051	26,816
Intergovernmental	230,995	205,900
Charges for services	41,365	28,560
Miscellaneous	310,187	79,221
TOTAL RECEIPTS	\$ 1,065,635	776,953
DISBURSEMENTS		
Operating		
Public safety	\$ 93,077	106,640
Public works	143,553	128,123
Culture and recreation	167,362	158,924
Community and economic development	0	70,490
General government	106,769	116,275
Debt service	87,848	18,211
Capital projects	410,356	101,173
TOTAL DISBURSEMENTS	\$ 1,008,965	699,836

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Independent Auditors' Report On Compliance
and on Internal Control over Financial Reporting

To The Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Oakland, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 24, 2004. Our report expresses an unqualified opinion on the financial statements which were prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Oakland's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior statutory comments have been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Oakland's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City of Oakland's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in the amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-04 is a material weakness.

This report, a public record by law, is intended solely for the information of and use of the officials, employees and citizens of the City of Oakland and other parties to whom the City of Oakland may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Oakland during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

September 24, 2004

LANPHIER, VANDENBERG & KOLASINSKI, PC

CITY OF OAKLAND
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-04 Segregation Of Duties

One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits, and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation:

City Records – We realize that with a limited number of office employees, segregation of duties is difficult. However, the addition of an assistant to the City Clerk offers many opportunities for segregation of duties. The City should continue to review its control procedures and maximize segregation of duties between the Clerk and Assistant where feasible.

Fire and Ambulance Records

The Fire and Ambulance records should continue to be recapped and reviewed by the Council in a timely monthly manner. In addition, we realize that segregation of duties in the departments is difficult. However, some segregation of duties would be obtained by having the bank reconciliation, recap and reporting done by a person not a signer on the bank account.

Library Records

We realize that with a limited number of library staff segregation of duties is difficult. However, some segregation of duties would be obtained by having the bank reconciliation, recap and reporting done by a person not a signer on the bank account.

CITY OF OAKLAND
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Response

We are continuing to implement procedures to maximize control.

Conclusion

Response acknowledged.

This is a prior year reportable condition.

II-B-04 Records of Accounts

The Park Department Board maintains accounting records pertaining to their operations. These transactions and the resulting balances are not recorded in the Clerk's records. Chapter 384.20 of the Code of Iowa states that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any city purpose."

Recommendation

For better accountability, financial and budgetary control, bank reconciliations and transaction recaps should be given to the Clerk monthly.

Response

We will consider this.

Conclusion

Response acknowledged.

This is a prior year reportable condition.

Part III: Other Findings Related to Statutory Reporting

III-A-04 Official Depositories

A resolution naming official depositories has been approved by the City Council during the current fiscal year. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

III-B-04 Certified Budget

Disbursements during the year ended June 30, 2004, exceeded the amounts budgeted in the Culture and Recreation and Debt Service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation

The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

CITY OF OAKLAND
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Response

We will review all disbursements periodically and the budget will be amended, if applicable. The Culture and Recreation and Debt Service functions were inadvertently misposted to other functions. This has been corrected.

Conclusion – Response accepted.

III-C-04 Questionable Disbursements

No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-D-04 Travel Expense

No disbursements of City money for travel expenses of spouses of City Officials or employees were noted.

III-E-04 Business Transactions

There were no business transactions between the City and City Officials during the fiscal year.

III-F-04 Bond Coverage

Surety bond coverage of City Officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-G-04 Council Minutes

During the review of the minutes, it was noted that there were four instances that the Mayor did not sign the minutes and two instances that the Clerk did not sign the minutes.

Recommendation

The City should have both the Mayor and the Clerk sign all copies of the minutes.

Response

We will adopt this recommendation.

Conclusion

Response accepted.

III-H-04 Deposits and Investments

No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

III-I-04 Water Revenue Bonds

The City has established the sinking and reserve accounts required by the water revenue bond resolution.

CITY OF OAKLAND
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

III-J-04 Payment of General Obligation Notes

Certain general obligation notes were paid from the Enterprise, Water Operations. Chapter 384.4 of the Code of Iowa states in part that "Moneys pledged or available to service general obligation notes, and received from sources other than property tax, must be deposited in the Debt Service Fund."

Recommendation

The City should make operating transfers from the various funds to the Debt Service Fund. Payments of principal and interest on general obligation notes should then be disbursed from the Debt Service Fund.

Response

We will transfer in the future as recommended.

Conclusion

Response accepted.

III-K-04 Outstanding checks

We noted five old outstanding checks that did not clear by the end of the fiscal year. We also noted several extremely old outstanding checks in the Library's accounts.

Recommendation

The City and the Library should establish a policy to void old outstanding checks in a timely manner.

Response

We will adopt this recommendation.

Conclusion

Response accepted.

III-L-04 Policy on Internet Usage

The City has no formal written policy on internet usage for City Employees.

Recommendation

The City should add to its Personnel Manual a formal written policy regarding internet usage by City Employees.

Response

We will establish this policy.

Conclusion

Response accepted.

CITY OF OAKLAND
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

III-M-04 Signatory on accounts

We noted several instances of only one signatory on accounts or outdated representatives still being signatory on checking and certificate of deposit accounts. We noted this in the City, Fire, Ambulance and Library Accounts.

Recommendation

The City and component units should review the signatories on each account and update as appropriate.

Response

The City will review the signatories on each account and update as appropriate.

Conclusion

Response accepted.

III-N-04 Ambulance Note

During the review of the Ambulance note, we observed that the name of the corporation differed from the Articles of Incorporation and the use of the City's Federal ID Number.

Recommendation

The Fire and Ambulance Departments should review their Articles of Incorporation and Bylaws for any needed updates to the Name and Scope of Purpose and obtain a Federal ID Number.

Response

The Departments will review and update as appropriate.

Conclusion

Response accepted.